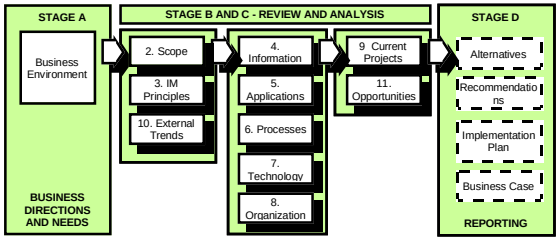
Executive Summary

1. Introduction

The State of Montana presently operates a suite of mainframe-based financial, human resources and asset management applications for state-wide use. These systems were built 20-25 years ago, are not Year 2000 compliant, and are failing to meet the business needs of State agencies. Senate Joint Resolution 23 represents the Montana legislature's decision to reengineer Montana's information management environment.

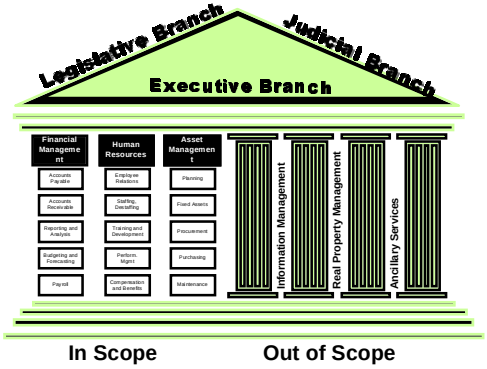
The State has revenues of over $2 Billion annually. Information technology represents $57 Million of annual expenditure. Of 10,000 State employees, 380 are dedicated to information technology. Information management at the State is characterized by systems that are long-lived, geared more for centralized control than for managing the businesses of the agencies, maintained by an IS organization with mainframe skills and a preference for building software in-house.

The State will be moving to a new systems environment. The first phase of MT PRIME assesses the State's current business environment, assesses core administrative systems, and to some degree, processes related to these systems, presents alternatives, makes a recommendation and presents the business case and implementation plan for that recommendation.



2. Scope

The focus of MT PRIME is core administrative systems that are state-wide in use, of material importance, and that are generally considered to be within the financial, human resources or asset management functions. This has resulted in the examination of: SBAS (State Budgeting and Accounting System), Warrant Writer, PPP (Payroll, Personnel and Position Control), Tesseract, MIBS (Montana Integrated Budget System, in its proposed form) and PAMS (Property Accountability Management System).



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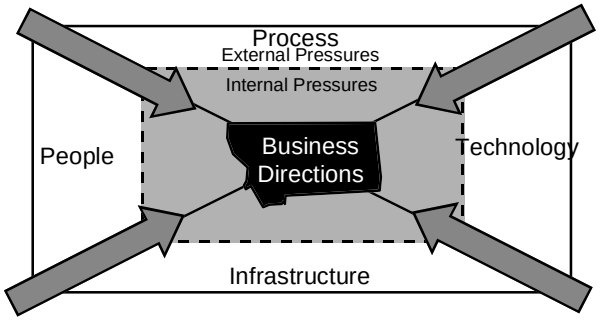
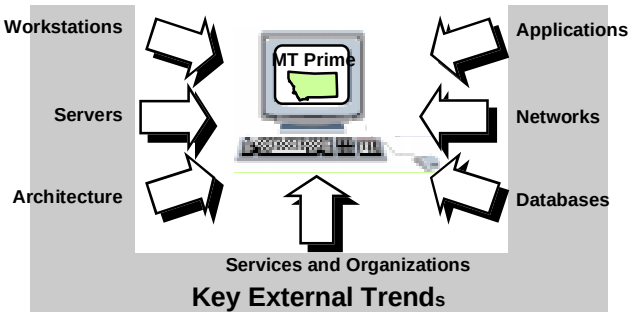
3. Business Environment

A changing relationship with the Federal Government, along with increasing pressure to provide more service with less resources, and increasing demand for accessibility to information are causing changes in State agencies' business directions including: alternate service delivery methods, integration of services and one-stop-shopping for Government services, increased automation, sophisticated cost management techniques and more effective revenue optimization and collection. The State requires systems that provide the information necessary to manage the different businesses of Government, including the continuous improvement of processes and service delivery.



4. Technology Trends

Current technological trends will affect the State's information technology choices. Computing architectures have shifted away from large-scale, centralized computing towards distributed architectures such as client/server which make use of PCs. Applications are becoming more modular, commercially available, and enterprise wide. Network-based computing is becoming increasingly popular and the internet is continuing to grow. Relational databases have paved the way for data warehousing and significantly improved reporting for business managers. To manage risk, the State will want to ensure its technology directions are largely consistent with general industry trends.



5. Information Management Principles

Current technology trends aggregated with the State's business directions lead to principles that the State can use to make strategic choices around information management. These principles include guides for the functionality, accessibility and operations of future systems, along with expected technology infrastructure, the people required to support those systems and technology, and an appropriate organization governed by appropriate policies.

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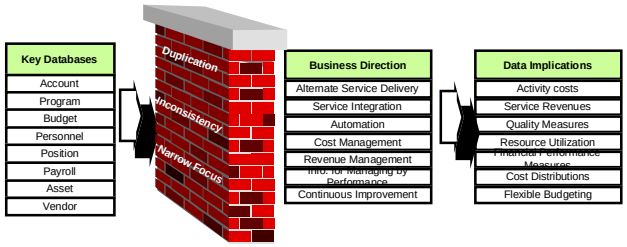
- 6. Information

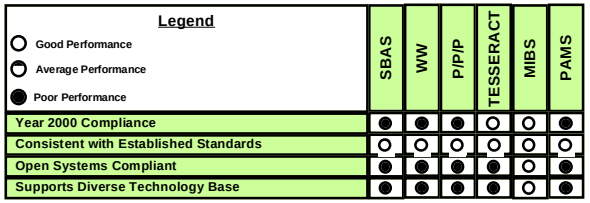
  Much of the State's data is duplicative, redundant, frequently inconsistent, and focused on system needs. This duplication, inconsistency and narrow focus of the current databases creates a barrier to the successful implementation of new business directions. As a result, agencies have developed supplementary systems to provide better access to key data. The business directions will likely require significantly more and different information than is present in the existing databases.



- 7. Applications

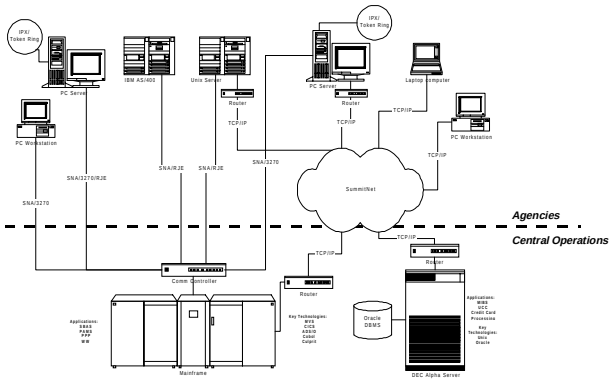
  Generally, the current systems do not provide the functionality that end-users need to operate efficiently in the future. Although the current systems are presently inexpensive to operate and maintain, modifications and system interfaces are difficult and often costly to design and implement. The lack of systems functionality limits their cost effectiveness as agencies increasingly develop their own solutions.

  The current systems (excepting MIBS and TESSERACT) utilize a technical platform that does not reflect important developments in the information technology arena. Continued systems maintenance and the use of new applications are significant challenges due to the age and architecture of the existing platform.



- 8. Technology

  The Telecommunication Bureau has designed and implemented a reliable and state-of-the-art network facility. Central information technology services ensure reliability, asset protection, end-to-end connection management and acceptable performance for a reasonable fee. However, as systems and applications grow, the network must adapt and expand to meet user needs. New technologies are much more demanding of networks than traditional mainframe technologies. The State's network is very well positioned to support more demanding, new technologies.



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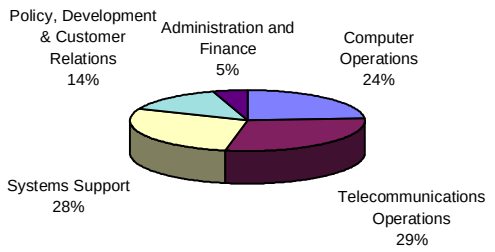
9. Organization

Many ISD resources are presently dedicated to the maintenance and enhancement of mainframe systems and applications. Some mainframe technology skills, notably application management and version control, are directly transferable to newer technology environments, however, the State is not well prepared for the implementation of state-wide core financial and human resource systems on new technology platforms.

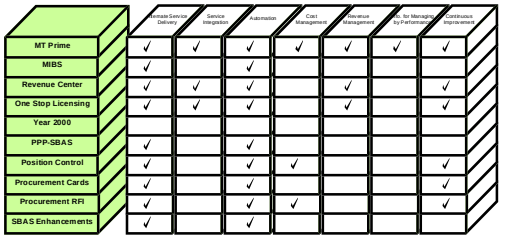
ISD Staff Distribution



10. Current Projects

The State is currently engaged in several information management projects which should be aligned with the State's business directions. Some of the projects will be directly affected by MT PRIME and should focus on low-cost solutions until the MT PRIME solutions are chosen.

Major Projects Support for Statewide Directions

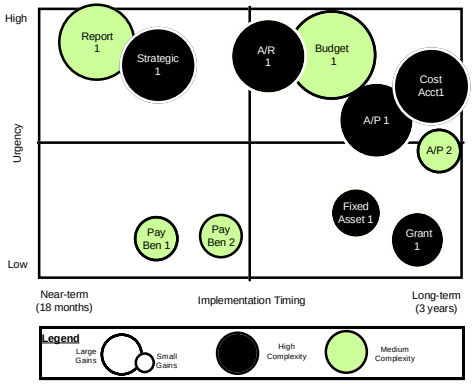


11. Issues & Opportunities

Issues include: resource shortages, increasing disuse of state systems, the Year 2000 challenge, resource management, the technology gap, the State's readiness for change. Opportunities include data warehousing, the opportunity for an enterprise perspective, and opportunities for alternative service delivery.

12. Processes

Although the State has done well ensuring that mission critical and short term processes are effectively performed, there are still significant process improvement opportunities to be pursued. These opportunities are in the financial, human resources and asset management processes and vary in scope and urgency. The opportunities include existing processes that can be improved and important processes that are not performed at all.



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13. Alternatives

The State's alternatives fall into 3 categories: fixing the current systems, building new systems, or buying new systems. The fix alternatives are the least expensive in the short term but represent expenditure for no increased functionality. The build alternatives are both costly and risky. The buy alternatives have upfront costs but provide a solution that is timely and manages risk.

Alternative	Score	Cost* (in Millions)
1. Year 2000 Fix	562	$1
2. Data Warehouse Construction	512	$4.4
3. Client-Server Construction	510	$28.8
4. Emerging Technologies Construction	474	$43.9
5. Mainframe Construction	476	$19.7
6. Multiple Package Purchase	452	$19.1
7. Single Package Purchase	740	$15.5

* Does not include contingency expense

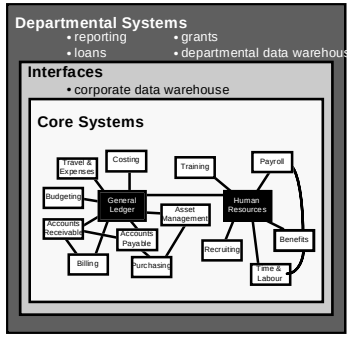
14. Recommendations

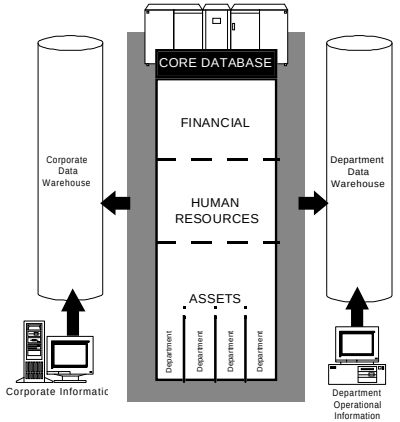
The project recommendation is to implement a centralized, integrated, enterprise-wide, commercial software package. The recommendation was based on cost estimates of the different alternatives compared with a scoring system based on the State's criteria for a successful solution.

The recommendation is based on:

- ⇒ Value for money
- ⇒ Lower overall risk
- ⇒ Flexibility

Packaged software is an integrated solution which secures a high level of functionality and technical viability, gives the State the ability to use the existing network and PC infrastructure and to purchase additional modules. Most importantly the packaged software option is consistent with the State's business directions and management directions.





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15. Business Case

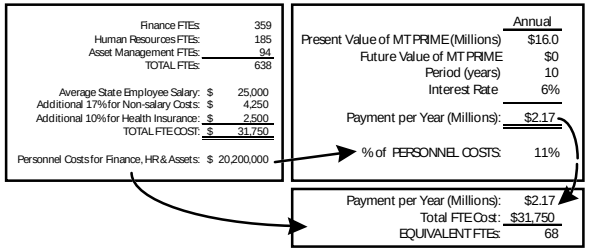
MT PRIME will pay for itself through cost avoidance and process improvements over the 10 year period of amortization. In order to achieve this MT PRIME would have to enable the State to reduce administrative budgets for personnel by 11%, which is equivalent to 68 FTEs, commencing in the 2001 biennium.

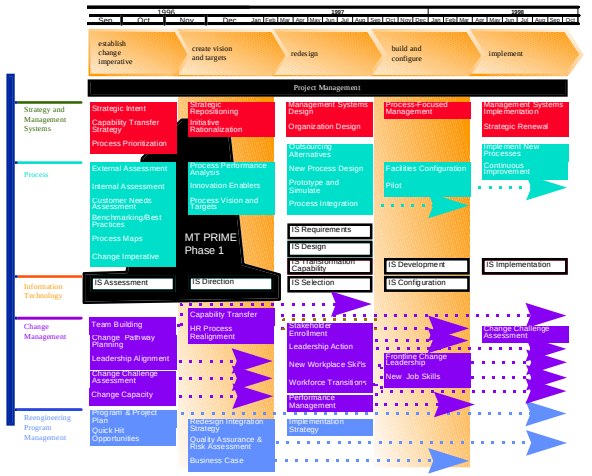
These hard savings would be realized through:

- ⇒ process improvements in 22 different opportunities identified in the finance, human resources and the asset management processes
- ⇒ avoiding the costs of developing all the agency systems that will have to be re-programmed if MT PRIME does not address the agency business needs
- ⇒ avoiding Year 2000 system enhancement costs

Additional benefits would be evident in:

- ⇒ improved service levels to the State's citizen and legislative customers
- ⇒ improved ability of the agencies to manage their businesses
- ⇒ improved centralized management and reporting for the State
- ⇒ improved risk management





16. Implementation Plan

The implementation plan is condensed into 18 months in order to be completed before the beginning of 1999 so that the State will have one year to solidify operations before the Year 2000. Critical success factors include: resourcing, people sensitivity, approach and governance. The estimated budget is $16 Million.